NEWSLETTER

The Industrial Accelerator Act: A Dual-Use Perspective on Strategic Industrial Capacity

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Introduction

The European Commission has proposed the Industrial Accelerator Act (the "IAA") as a new framework to accelerate industrial capacity and decarbonisation in strategic sectors across the EU.

The IAA is not a defence regulation as such. However, it is highly relevant for defence and dual-use companies, as modern defence capabilities increasingly depend on resilient industrial supply chains, advanced manufacturing capacity, critical raw materials, battery technologies, energy infrastructure, electronic systems and other technologies with both civilian and military applications.

If adopted in its current form, the IAA will introduce a set of measures aimed at strengthening European industrial capacity, reducing strategic dependencies and creating demand for low-carbon and EU-origin products. This includes faster permitting for industrial manufacturing projects, EU-origin and low-carbon requirements in public procurement and public support schemes, conditions for certain foreign investments and the establishment of industrial acceleration areas.

For dual-use companies and investors, the IAA may create new opportunities. It may also introduce new compliance and transaction risks, particularly where public funding, EU-origin requirements, foreign investment conditions and export control rules interact.

We outline the key features of the proposed IAA, its interaction with the EU dual-use regime and the practical implications for relevant companies and investors.

Main Features of the Proposed IAA

The proposed IAA aims to strengthen the competitiveness, resilience and decarbonisation of the EU manufacturing sector, with a particular focus on selected strategic sectors.

The proposal contains four key elements:

Accelerated permitting for industrial manufacturing projects

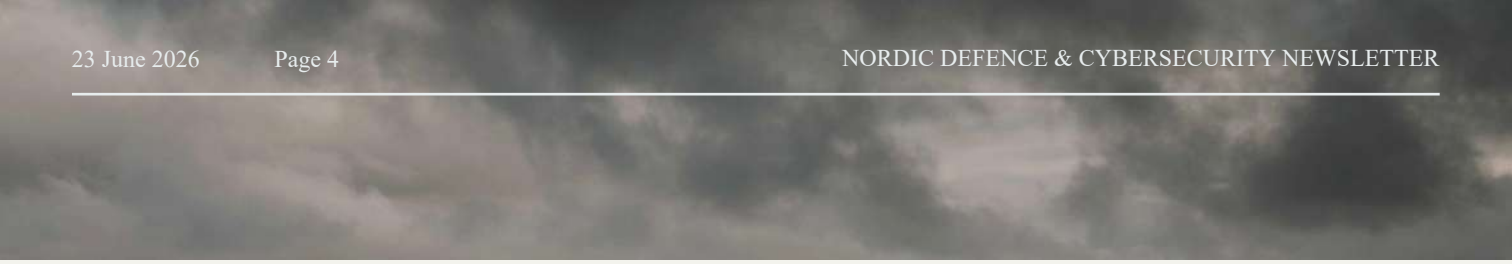
The IAA would require Member States to establish a single access point for industrial manufacturing projects and a coordinated permit-granting procedure based on one application. The purpose is to reduce administrative bottlenecks and provide project developers with greater predictability.

This is relevant for companies seeking to establish, expand or convert industrial facilities in Europe, including facilities producing components, energy systems, critical inputs or technologies with dual-use relevance.

EU-origin and low-carbon requirements

The IAA would introduce EU-origin requirements, low-carbon requirements or both in connection with public procurement and public support schemes in certain strategic sectors.

This is intended to create demand for European-produced industrial products and technologies. For companies, this may affect eligibility for public contracts and support schemes. For investors, it may affect the commercial attractiveness of targets with EU-based production, documented supply chains and credible low-carbon production capabilities.



Industrial acceleration areas

Member States would be required to designate areas for industrial manufacturing acceleration. These areas are intended to support clustering of industrial projects, including through coordinated infrastructure, energy planning, skills development and permitting.

For relevant companies, such areas may offer a more predictable route to project realisation. They may also influence site selection, capex planning and public-sector engagement.

Foreign investment conditions

The proposed IAA would introduce conditions for certain foreign direct investments above EUR 100 million in selected strategic manufacturing sectors, where a third country holds a significant share of global production capacity.

The relevant sectors include, among others, battery technologies and battery-based energy storage systems, electric vehicles and related components, solar photovoltaic technologies and the extraction, processing and recycling of critical raw materials.

These rules are not designed as traditional national-security screening. Rather, they aim to ensure that major foreign investments create EU value-add, including through joint ventures, technology licensing, R&D activity, EU workforce commitments and supply-chain localisation. In practice, however, they may operate alongside existing FDI screening and may affect deal timing, ownership structures and transaction documentation.

The Dual-Use Regulation

The EU Dual-Use Regulation remains a separate framework. It regulates the export, brokering, technical assistance, transit and transfer of dual-use items, including software and technology that can be used for both civilian and military purposes.

For listed dual-use items, export authorisations may be required. In addition, authorisation requirements may apply to certain unlisted items under catch-all controls, including where the intended end-use, end-user, destination or risk of diversion gives rise to concern.

The dual-use regime is particularly relevant for companies active in advanced manufacturing, energy systems, sensors, electronics, software, data infrastructure, encryption, autonomous systems, cyber capabilities and other technologies that may have defence or security applications.

The proposed IAA does not reduce or replace export control obligations. A company may benefit from accelerated permitting, public procurement opportunities or EU-origin treatment under the IAA while still being subject to export control, end-use diligence and licensing requirements under the Dual-Use Regulation.

For dual-use companies, this distinction is critical. Industrial acceleration does not remove the need for export classification, licence management, internal compliance procedures or end-user controls.

Opportunities for Dual-Use Companies and Investors

The proposed IAA may create significant opportunities for companies and investors in the defence and dual-use ecosystem.

Accelerated industrial deployment

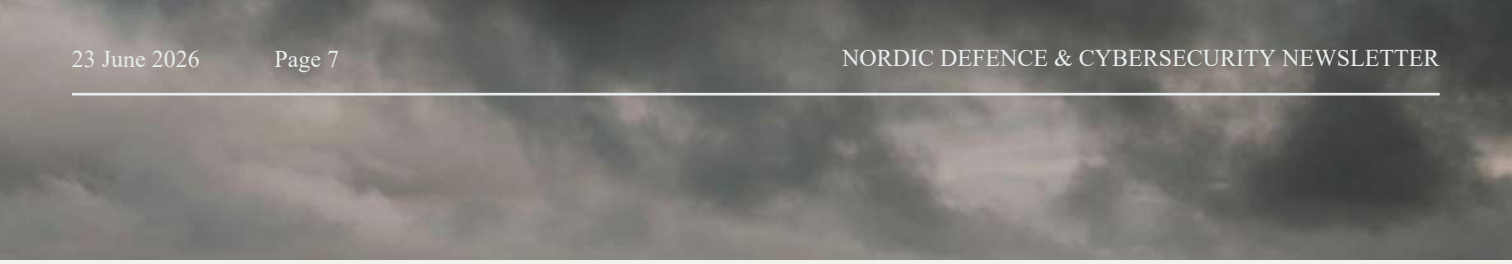
Companies seeking to establish or scale EU-based manufacturing may benefit from more coordinated permitting and, where relevant, industrial acceleration areas. This may be particularly relevant for manufacturers of batteries, power systems, components, critical materials, advanced industrial inputs and other technologies relevant to defence supply chains.

Procurement and public funding access

EU-origin and low-carbon requirements may improve the position of companies with European production capacity and documented supply chains. Companies able to demonstrate EU-origin content and low-carbon production may become better positioned in public procurement processes and public support schemes.

Supply chain localisation

The IAA may strengthen the business case for relocating or expanding production within the EU. For dual-use companies, this may also support resilience, reduce exposure to third-country dependencies and improve eligibility in regulated defence and public-sector procurement.

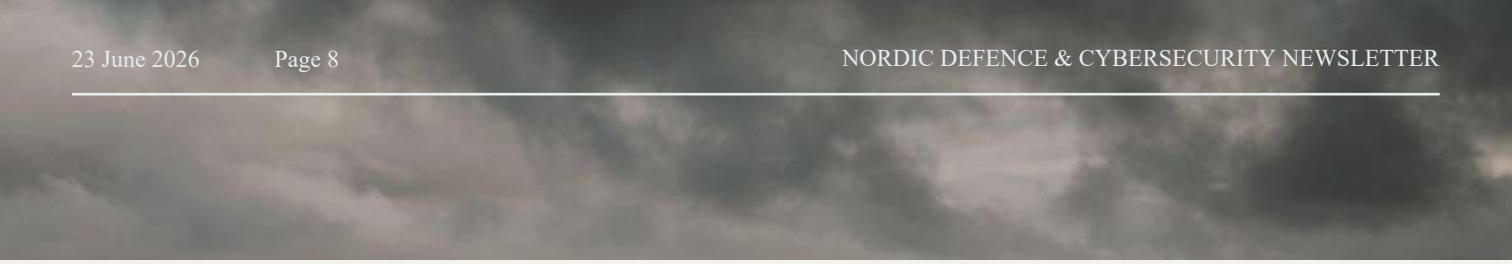


Investment case for European industrial capacity

For investors, the IAA may improve the long-term risk-return profile of European manufacturing assets in strategic sectors. Targets with strong documentation of origin, supply-chain control, export compliance and public-sector positioning may become more attractive.

Strategic partnerships and joint ventures

The proposed foreign investment framework may incentivise joint ventures and structured partnerships between EU companies and foreign investors. This may create opportunities for companies that can offer European manufacturing presence, regulatory credibility and access to EU value chains.



Key Risks and Practical Considerations

The IAA also creates a number of practical issues that companies and investors should address early.

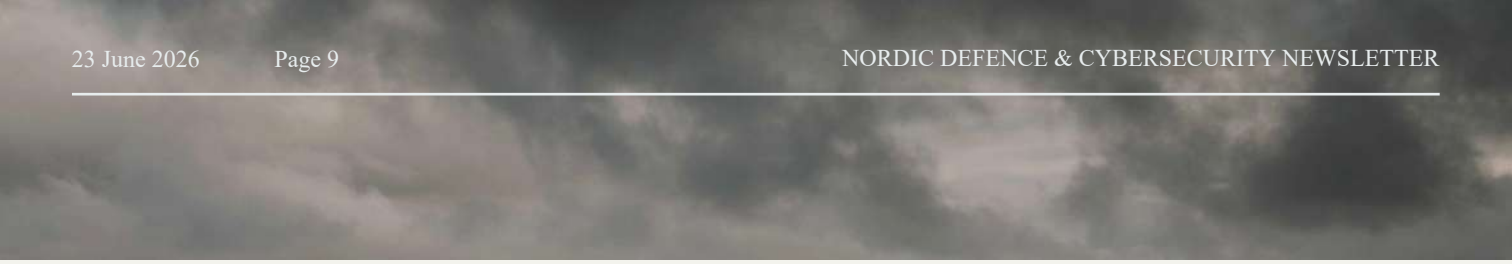
Origin documentation and supply chain evidence

EU-origin requirements will require robust documentation. Companies will need to understand where products, components and inputs originate, and ensure that suppliers provide adequate information and contractual undertakings.

This may require:

- supply chain mapping;
- origin documentation;
- flow-down obligations in supplier contracts;
- audit rights;
- internal procedures for procurement and bid teams.

Failure to document origin may affect procurement eligibility, public funding access and contractual compliance.



Interaction with export control

Dual-use companies should avoid treating IAA eligibility as a proxy for export control compliance. The relevant questions are different.

The IAA focuses on industrial capacity, EU-origin, low-carbon criteria, investment conditions and supply chain resilience. The Dual-Use Regulation focuses on classification, destination, end-use, end-user, diversion risk and licensing.

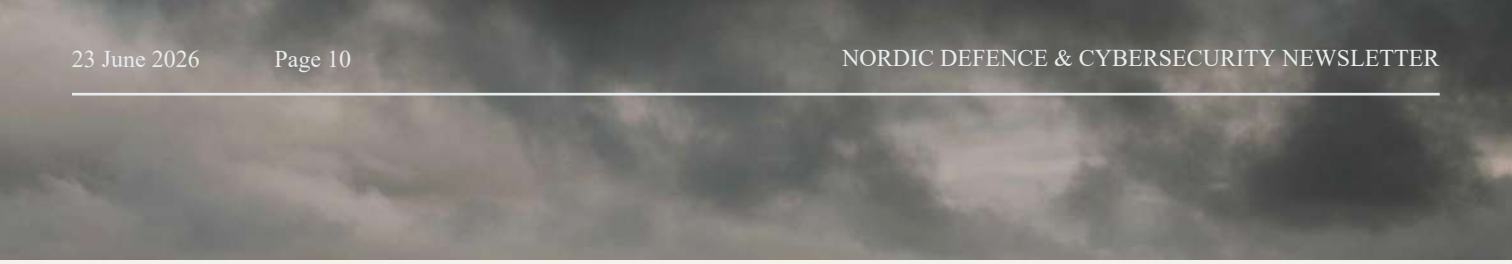
Companies should therefore ensure that projects benefiting from IAA-related measures are also assessed under export control rules where relevant.

Foreign investment timing and deal certainty

Investments in strategic manufacturing sectors may require additional analysis if the IAA is adopted in its current form. Investors should assess whether the transaction falls within the proposed foreign investment framework, whether thresholds are met, whether the investor jurisdiction is relevant and whether commitments on ownership, R&D, workforce, IP, joint ventures or EU sourcing may be required.

For M&A transactions, this may affect:

- conditions precedent;
- long-stop dates;
- regulatory covenants;
- information undertakings;
- ownership and governance structures;
- post-closing compliance obligations.



Public funding and clawback risk

Companies receiving public support may become subject to ongoing eligibility requirements. This can include obligations relating to EU-origin content, low-carbon production, workforce retention, reporting and continued compliance with programme conditions.

Investors should assess these obligations during due diligence and ensure that they are reflected in transaction documentation.

Cost and availability of EU-origin inputs

EU-origin requirements may create commercial challenges where relevant inputs are not yet available in sufficient quantity or at competitive prices. The proposed IAA contains certain exceptions, including where compliance would lead to significant delays or disproportionate costs. However, companies relying on such exceptions should expect to document the basis for doing so.

Internal governance

Dual-use companies will need to align procurement, export control, legal, finance and bid teams. The practical risk is that one team treats a project as commercially attractive under the IAA, while another identifies export control, licensing or end-use issues too late in the process.

What Companies and Investors Should Do Now

Companies and investors should start preparing before the IAA is adopted.

Relevant steps include:

1. Map whether products, components, facilities or planned projects fall within the strategic sectors covered by the proposed IAA.
2. Identify which products may be subject to EU-origin or low-carbon requirements in future public procurement or public support schemes.
3. Review whether existing supply chains can support origin documentation and supplier flow-down obligations.
4. Assess whether relevant products, software or technology may be subject to the Dual-Use Regulation.
5. Review internal export control procedures, including classification, licensing, end-user screening and technical assistance controls.
6. For transactions, assess whether IAA-related foreign investment conditions may affect structure, timing or post-closing obligations.
7. Consider whether planned manufacturing projects could benefit from accelerated permitting or industrial acceleration areas.

Our Comments

The proposed IAA should not be viewed only as an industrial policy initiative. For defence and dual-use companies, it may become a practical framework for market access, public funding, procurement eligibility and investment structuring.

The key point is that the IAA and the Dual-Use Regulation operate in parallel. The IAA may create opportunities to scale European industrial capacity, but it does not remove export control obligations. Companies that combine EU-based manufacturing, robust supply chain documentation and strong export control compliance will be better positioned.

In our experience, the most important risks arise where regulatory regimes are assessed in isolation. A company may be attractive because it benefits from EU industrial policy, but still present material export control, licensing or end-use risk. Conversely, a company with strong dual-use compliance may become more valuable if it can document EU-origin supply chains and access IAA-driven procurement or public support.

Investors and industrial buyers should therefore treat the IAA as part of regulatory and commercial due diligence in dual-use transactions. Relevant workstreams should include origin documentation, public funding eligibility, export control, FDI exposure, supply chain resilience and site-level permitting.

Early movers will have an advantage. Companies that can document their supply chains, align their export control frameworks and position themselves for EU-origin and low-carbon requirements will be better placed to access public procurement, funding opportunities and strategic partnerships in the European defence and dual-use ecosystem

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